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Administrative and budgetary aspects of the financing of the United Nations peacekeeping operations

Updated financial position of closed peacekeeping missions as at 30 June 2014

Report of the Advisory Committee on Administrative and Budgetary Questions

I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Secretary-General on the updated financial position of closed peacekeeping missions as at 30 June 2014 (A/69/659). During its consideration of the report, the Committee met with representatives of the Secretary-General, who provided additional information and clarification, concluding with written responses received on 19 March 2015.

2. The Advisory Committee recalls that the Secretary-General has submitted proposals (see A/66/665, A/67/739 and A/68/666) to address the issue of outstanding amounts due to Member States from closed peacekeeping missions in net cash deficit, while also indicating that the ideal approach for its resolution would be for Member States that are in arrears in their payments to the closed missions to pay their contributions expeditiously, as called for by the General Assembly (see para. 9 below). The comments of the Committee on the proposals of the Secretary-General mentioned above are contained in the following reports: A/66/713 and Corr.1 (see paras. 10-12); A/67/837 (see paras. 5 and 6); and A/68/837 (see paras. 11 and 16).

3. **The Advisory Committee notes that the General Assembly has decided, most recently by its decision 68/549 C, to defer consideration of all three reports of the Secretary-General and the related reports of the Committee to the second part of its resumed sixty-ninth session. In this context, the Committee reiterates all of its previous observations and recommendations on the proposals contained in the above-mentioned reports of the Secretary-General to give the Assembly an opportunity to examine them in conjunction with the observations and recommendations contained in the present report.**

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4. In paragraphs 1 to 9 of his report on the updated financial position of closed peacekeeping missions as at 30 June 2014, the Secretary-General provides an update on the cash position of 25 closed peacekeeping missions. He indicates that, as at that date, 20 of the 25 closed missions had cash surpluses available for credit to Member States totalling $58,978,000 (see para. 2 and tables 1-3), which would increase to $89,978,000 upon the repayment of $31 million owed by two active peacekeeping missions as at 30 June 2014.[1] In addition, he explains that the amount does not take into account the $10,816,000 owed by two closed peacekeeping missions with cash deficits as at 30 June 2014.[2]

5. The Secretary-General indicates in paragraph 6 of his report that five of the closed missions had cash deficits totalling $86,700,000, comprising liabilities of $87,112,000, partially offset by cash assets of $412,000 (see tables 4-6). He further indicates that the cash liabilities of $87,112,000 comprise $23,636,000 in outstanding loans ($10,816,000 owed to closed peacekeeping missions with a cash surplus and $12,820,000 owed to the Peacekeeping Reserve Fund), $63,067,000 in claims owed to troop- and police-contributing countries and $409,000 in inter-fund balances and other payables.

6. Upon request, the Advisory Committee was provided with updated information showing that, as at 11 February 2015, the cash surpluses available for credit to Member States in the 20 peacekeeping missions had increased to $85,765,000, which would increase to $90,765,000 upon repayment of the amount of $5 million owed by one active peacekeeping mission, the United Nations Interim Administration Mission in Kosovo. In addition, the cash available did not take into account the amount of $10,816,000 owed by two closed peacekeeping missions with cash deficits (see also para. 4 above). It also showed that, as at 11 February 2015, the liabilities of the five closed peacekeeping missions in cash deficit amounted to $86,620,000, representing a reduction of only $80,000 since 30 June 2014 (see also para. 5 above). **The Committee notes the improved cash position of the closed peacekeeping missions with cash surpluses and reiterates its expectation that the cash surpluses available for credit to Member States will be returned in full and in a timely manner (see A/68/837, para. 5).**

II. Outstanding amounts due to Member States from closed missions

7. The Advisory Committee recalls that, in paragraph 7 of its resolution 65/293, the General Assembly requested the Secretary-General to submit for its consideration and approval concrete proposals and alternatives to address the issue of outstanding amounts due to Member States from closed peacekeeping missions with net cash deficits. The Committee further recalls that, at that time (30 June 2011), an amount of $63,125,000 was owed to troop- and police-contributing countries by closed peacekeeping missions with cash deficits (A/66/665, para. 11). Upon request, the Committee was provided with additional information, which

[1] Comprising $9 million owed by the United Nations Mission for the Referendum in Western Sahara and $22 million owed by the United Nations Interim Administration Mission in Kosovo.

[2] Comprising $7,366,000 owed by the United Nations Support Mission in Haiti/United Nations Transition Mission in Haiti/United Nations Civilian Police Mission in Haiti and $3,450,000 owed by the United Nations Mission in the Central African Republic.

showed that, as at 11 February 2015, the amount owed to troop- and police-contributing countries in respect of outstanding claims was $63,067,000, comprising amounts due from the following closed missions: the United Nations Mission in the Central African Republic (MINURCA), $7,480,000; the United Nations Operation in Somalia (UNOSOM), $15,490,000; the United Nations Support Mission in Haiti/United Nations Transition Mission in Haiti/United Nations Civilian Police Mission in Haiti (UNSMIH/UNTMIH/MIPONUH), $114,000; and the United Nations Transitional Authority in Cambodia (UNTAC), $39,983,000, and that those amounts had not changed, or had changed minimally, since 30 June 2010.[3]

8. The Advisory Committee was also provided with information showing that, as at 11 February 2015, $160,776,000 was owed by all 25 closed peacekeeping missions. Of that amount, $81,670,000 was owed in respect of outstanding claims to troop- and police-contributing countries and letters of assist for various peacekeeping-related goods and services, and $79,106,000 was owed in respect of credits to Member States from unencumbered balances, pending instructions on their disposition.

III. Cash requirements of the Organization

9. The Advisory Committee recalls that cross-borrowing between active peacekeeping missions is currently not permitted; General Assembly resolutions on the financing of peacekeeping operations emphasize that no peacekeeping mission shall be financed by borrowing funds from other active peacekeeping missions. During its consideration of the report of the Secretary-General, the Committee was made aware that, because the Assembly does not authorize cross-borrowing between active peacekeeping missions but is silent on the question of borrowing funds from closed peacekeeping missions, the Secretary-General, since 2003, has annually proposed to the Assembly that such cash balances from closed peacekeeping operations be retained as a source of cross-borrowing for other missions to address the issue of cash shortages owing to unpaid peacekeeping assessments. The Committee further recalls that it had expressed concern about the continued reliance on surpluses in closed peacekeeping missions for the cash requirements of active missions and reiterated the importance of delinking the cash flow requirements of active peacekeeping missions from the cash surpluses in closed missions that should be returned to Member States (A/67/837, para. 8). **In this regard, the Committee recalls the repeated calls by the Assembly for all Member States to pay their assessed contributions in full, on time and without conditions (see resolution 65/293).**[4]

Temporary borrowing between active peacekeeping operations

10. In his report, the Secretary-General reverts to his earlier proposal for the General Assembly to authorize temporary borrowing between active peacekeeping operations (A/67/739, para. 13), explaining that while in aggregate terms there may

[3] According to the information provided to the Committee, the amounts owed by MINURCA, UNOSOM and UNSMIH/UNTMIH/MIPONUH have not changed since 30 June 2010; the only change in the amount owed by UNTAC was due to the revaluation of the Canadian dollar vis-à-vis the United States dollar.

[4] See also resolutions 64/243, 62/236, 56/253 and 54/249.

be sufficient cash to manage all peacekeeping operations, the contributions for each one are held in separate accounts between which borrowing to alleviate temporary cash shortages is not allowed. In support of his proposal, the Secretary-General asserts that cross-borrowing between active peacekeeping operations will not affect their operations, given that past data show that the temporary needs for such cross-borrowing have consistently been minor in comparison with the total cash position of all active peacekeeping operations at any given time. In this regard, the Secretary-General indicates, in paragraph 13 (b) of his report, that, if authorized by the Assembly, the borrowing would be kept within a limit of $100 million, representing 1.4 per cent of the total approved resources for peacekeeping operations for the period from 1 July 2014 to 30 June 2015, and in paragraph 14, proposes a framework for cross-borrowing between active missions.

11. In annexes III and IV to his report, the Secretary-General presents historical data on borrowing by active missions from closed missions over the period from 1 July 2009 to 30 November 2014, according to which the highest level of borrowing was $93 million in September 2011 and the peak levels of borrowing in subsequent years were $62 million in July and August 2012, $57 million in August 2013 and $43 million in August 2014. **The Advisory Committee notes the steadily declining trend in the peak levels of borrowing by active peacekeeping missions and that the highest level of borrowing in the past three years has been $62 million (see para. 21 below).**

12. The Advisory Committee notes from the pattern of cross-borrowing shown in annex III to the report of the Secretary-General that borrowing by active missions from closed missions has peaked around the month of August every year since 2010, the period of which corresponds to the interval between the issuance of assessment letters to Member States and the receipt of assessed contributions. During its consideration of the report of the Secretary-General, the Committee was informed that assessment letters could be issued to Member States only after all the relevant resolutions on the financing of peacekeeping operations had been adopted by the General Assembly. The Committee trusts that the Secretary-General will continue his efforts to speed up the issuance of assessment letters. Furthermore, the Committee notes in this regard that in recent years, the second part of the resumed session of the General Assembly has often been extended, reducing the amount of time available for the preparation and issuance of assessment letters in the period between the adoption of the financing resolutions and the start of the peacekeeping financial period on 1 July.

13. Upon enquiry, the Advisory Committee was informed that borrowing from closed peacekeeping missions for active peacekeeping operations was typically done for a short period of time, ranging from a few days to two or three months, and that the need for such borrowing was due to the time lag between the issuance of notifications to Member States and the receipt of assessed contributions, which often ranged from about 60 to 120 days. It was explained to the Committee that the peak borrowing level of $93.0 million in September 2011 comprised $5.0 million for the United Nations Peacekeeping Force in Cyprus, $12.0 million for the United Nations Operation in Côte d'Ivoire, $18.0 million for the United Nations Integrated Mission in Timor-Leste, $28.5 million for MINURSO and $29.5 million for UNMIK. It was further explained that subsequent payments received during the month of October 2011 had brought the level down to $27.0 million by the end of that month.

14. Upon request, the Advisory Committee was provided with data pertaining to the borrowing history of two active missions, the United Nations Mission for the Referendum in Western Sahara (MINURSO) and the United Nations Interim Administration Mission in Kosovo (UNMIK), for the three-year period from 2011/12 to 2013/14, showing that they had relied on borrowing throughout all or most of that period in order to support their operations. The average monthly balance of amounts owed by MINURSO to other missions was $13.3 million in 2011/12, $12.0 million in 2012/13 and $5.0 million in 2013/14, and the average monthly balance of amounts owed by UNMIK to other missions was $24.9 million in 2011/12, $28.0 million in 2012/13 and $21.8 million in 2013/14. The Committee was also provided with data showing that, over the same three-year period, the level of outstanding contributions for those two active missions remained high, averaging $57 million for MINURSO and $45 million for UNMIK. The Committee was also provided with information showing that two closed peacekeeping missions, MINURCA and UNSMIH/UNTMIH/MIPONUH still had liabilities of $3.4 million and $7.4 million, respectively, representing amounts borrowed from closed missions in August 1999 when they were still active missions.

15. **The Advisory Committee reiterates that the proposal to authorize borrowing between active missions could be an inducement for the late payment or non-payment of assessed contributions, as evidenced by those closed missions with long-outstanding loans from other missions (see A/68/837, para. 16).**

Working capital fund

16. As an alternative to cross-borrowing, the Secretary-General, in paragraphs 16 and 17 of his report, reverts to his earlier proposal for the establishment of a $100 million working capital fund for peacekeeping operations (A/68/666, paras. 20 and 21). The Secretary-General indicates that the fund could be financed either by a one-time assessment on Member States for $100 million or from the unencumbered balance of active peacekeeping operations for the financial period 2013/14. **The Advisory Committee is of the view that this proposal would entail assessing and/or charging the same Member States that have already paid their contributions in full in order to establish the working capital fund.**

17. **The Advisory Committee remains of the view that that the Secretary-General's proposals outlined above have not addressed the Committee's repeatedly expressed reservations with regard to utilizing resources due to Member States that have paid their assessed contributions in full and on time to meet the financial obligations to the Organization of Member States that have not paid their assessed contributions in a timely manner (A/68/837, para. 16). The Committee notes that, while the overall level of borrowing by active missions has been declining, the continued reliance of some active missions on borrowing from closed missions, owing to the unpredictability in the receipt of their assessed contributions, is still a matter of concern. The Committee urges the Secretary-General to continue exploring the available options to address the issue of late payment of assessed contributions, such as reviewing existing mechanisms for issuing assessment letters, following up on outstanding assessments and engaging more actively with Member States.**

Previous proposals by the Secretary-General

18. The Advisory Committee recalls that various proposals have been presented by the Secretary-General to address the issue of unpredictability in the receipt of assessed contributions from Member States. These are summarized below.

Expanding the terms of the Peacekeeping Reserve Fund

19. In his report on the updated financial position of closed peacekeeping missions as at 30 June 2010 (A/65/556, para. 12), the Secretary-General proposed expanding the terms of the Peacekeeping Reserve Fund to cover operational requirements of active missions. In this regard, the Secretary-General explained that the expansion of the terms of the Fund, in conjunction with an increase in its level, would eliminate the need to borrow from the accounts of closed peacekeeping missions in future. This proposal was not supported by the Advisory Committee because of its possible impact on the Organization's capacity to effectively launch new missions and meet the needs of expanding missions (A/65/775, para. 8).

Application of available credits against outstanding contributions

20. In the same report (A/65/556, para. 14), the Secretary-General invited the General Assembly to consider encouraging Member States to instruct him to apply available credits against outstanding contributions. He further invited the Assembly to consider establishing a time period for the transmission of instructions to the Secretary-General for the disposition of those credits, after which he would be authorized to apply them, bearing in mind the situation of closed missions with cash deficits. The Advisory Committee recalls that it expressed support for this approach (A/65/775, para. 11).

IV. Actions to be taken by the General Assembly

21. The actions to be taken by the General Assembly are set out in paragraph 18 of the report of the Secretary-General. **The Advisory Committee recommends that the General Assembly:**

(a) **Take note of the report of the Secretary-General, subject to its observations and recommendations in the present report;**

(b) **Request the Secretary-General to return to Member States the amount of $28,765,000 out of the balances of $90,765,000 in 20 closed peacekeeping operations as at 11 February 2015 (see para. 6), leaving a balance of $62 million (see para. 11 above).**

22. **The Advisory Committee further recommends that the updated balances in the 20 closed peacekeeping operations be provided to the General Assembly at the time of its consideration of the report of the Secretary-General.**